

Message Text

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TO AMEMBASSY NOUAKCHOTT PRIORITY

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E.O. 11652: N/A

TAGS: BDIS, EFIN, EIND, MR

SUBJECT: FINANCING FOR SUGAR REFINERY: MEETING WITH ISC/
PRITCHARD REPS

REF: (A) NOUAKCHOTT 298, (B) STATE 54015 , (C) STATE 59809

1. AMB. HANDYSIDE, AF/W DEPUTY DIRECTOR BISHOP AND MAURITANIA DESK OFFICER WALTER MET MARCH 14 WITH REPS OF J.F. PRITCHARD AND INTERNATIONAL SYSTEMS AND CONTROLS (ISC). ISC/PRITCHARD GROUP INCLUDED EDGAR OLIPHANT, ISC EXEC V-P, N.J.H. BUNNETTA, PRITCHARD COMMERCIAL DIRECTOR, JAMES DUDLEY, REFINERY PROJECT MANAGER, AND PAUL A. LYNCH, PRITCHARD LEGAL COUNSEL. PRITCHARD REPS HAD JUST COME FROM MEETING WITH EXIM-

2. BUNNETTA OUTLINED HISTORY OF LANG/PRITCHARD INVOLVEMENT IN REFINERY PROJECT. HE SAID AGREEMENT HAD BEEN REACHED RECENTLY AT BRUSSELS WITH GIRM AND GIRM'S BELGIAN CONSULTANTS ON TECHNICAL SPECIFICATIONS OF PLANT. HOWEVER, GIRM AND LANG/PRITCHARD STILL HAD NOT RESOLVED COMMERCIAL
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PROBLEMS. MOST IMPORTANT OF THESE APPARENTLY IS GIRM'S

DELAY IN MAKING DOLS 100,000 MONTHLY PROGRESS PAYMENTS, PROVOKING CASH FLOW CRISIS FOR LANG/PRITCHARD. TWO DELINQUENT PAYMENTS WERE RECEIVED EARLY THIS YEAR, BUT GIRM

IS STILL DOLS 400,000 BEHIND. WITH CANCELLATION OPTION DATES ON SEVERAL IMPORTANT SUPPLIERS' CONTRACTS FAST APPROACHING, LANG/PRITCHARD HAS ADVISED GIRM THEY WILL

HAVE TO WITHDRAW FROM PROJECT UNLESS THESE OVERDUE PAYMENTS ARE MADE QUICKLY. BUNNETTA SAID THAT TO EASE THE CASH FLOW STRAIN, LANG/PRITCHARD MAY TRY TO CONVERT SOME OF THE OUGIYAS RECEIVED AS PRE-PAYMENTS FROM GIRM. HOWEVER, MOST OUGIYAS WOULD BE NEEDED TO COVER LOCAL COSTS.

3. ACCORDING TO BUNNETTA, GIRM CENTRAL BANK ISSUED A LETTER OF CREDIT GUARANTEED BY BANKERS TRUST OF N.Y. HOWEVER, LETTER IS REVOKABLE, AS CENTRAL BANK INSISTS IT MUST COUNTERSIGN ALL INVOICES PRIOR TO PAYMENT. EFFECT IS THAT LANG/PRITCHARD MUST FINANCE SUPPLIERS' DELIVERIES--WHICH THEY ARE NOT WILLING TO DO IF PROGRESS PAYMENTS ARE NOT BEING MADE.

4. BUNNETTA SAID CURRENT TOTAL COST ESTIMATE IS A LITTLE UNDER DOLS 19 MILLION. LANG/PRITCHARD IS TRYING TO MAXIMIZE THE ESTIMATED FIXED COST PORTION OF THIS SUM TO OVERCOME GIRM CONCERN ABOUT ADDITIONAL COST OVERRUNS.

5. BUNNETTA SAID TALKS WITH EXIM HAD GONE WELL, WITH EXIM ACKNOWLEDGING COMMITMENT TO PROJECT. BUT BEFORE FULFILLING ITS COMMITMENT, EXIM WANTS THE FOLLOWING INFORMATION: (A) FINAL COST OF PROJECT AND TECHNICAL SPECIFICATIONS OF PLANT; (B) VIABILITY OF PROJECT, INCLUDING RELIABILITY OF RAW SUGAR SUPPLIES; (C) CONFIRMATION OF MORE EXTENSIVE MANAGEMENT CONTRACT WITH SOMDIAA; (D) WHO WILL FINANCE COST OVERRUNS. BUNNETTA ADDED THAT EXIM HAS NOT RULED OUT A GREATER U.S. COMMITMENT ONCE THESE POINTS ARE CLARIFIED.

6. IN ADDITION TO FAMILIAR COMPLAINTS ABOUT BABA, BUNNETTA EXPRESSED CONCERN ABOUT POLITICAL INTERFERENCE WITH CON-

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TRACT IMPLEMENTATION. HE CITED EXAMPLE OF OBJECTIONS SOME GIRM OFFICIALS EXPRESSED TO HOUSING CONTRACT AWARD, ALTHOUGH SUCCESSFUL BIDDER 33 PER CENT BELOW CLOSEST COM-

PETITOR. LANG/PRITCHARD DISTURBED BY EXTREMELY WIDE RANGE OF BIDS BEING RECEIVED FROM LOCAL CONTRACTORS. COMPANY CONTINUES FRUSTRATED BY LOCAL BUREAUCRATIC/POLITICAL DELAYS, E.G. GIRM'S CONTINUING INABILITY RESOLVE WITH

SENEGALESE QUESTION OF WHOSE TRUCKERS WILL TRANSPORT
STRUCTURAL STEEL FOR REFINERY NOW AWAITING SHIPMENT AT
PORT OF DAKAR.

7. IN DESCRIBING CONTRACT'S IMPLEMENTATION, BUNNETTA AND

COLLEAGUES EXPRESSED CONCERN ABOUT HOUSING FOR EXPATS,
WHO WOULD TOTAL OVER THIRTY DURING INITIAL CONSTRUCTION
PHASE AND MIGHT RISE TO DOUBLE THAT NUMBER DURING EQUIP-
MENT INSTALLATION. LANG/PRITCHARD UNCLEAR WHAT PROPOR-
TION WILL BE AMERICAN, AS MUCH OF CONSTRUCTION/INSTAL-
LATION WORK WILL BE SUBCONTRACTED. (IMPRESSION LEFT
THAT FIRM STILL ONLY BEGINNING APPRECIATE CONSTRAINTS
IMPOSED BY MAURITANIA'S PRIMITIVE INFRASTRUCTURE). INGERSOLL

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